



Economic Impact Analysis Virginia Department of Planning and Budget

18 VAC 50-30 –Board for Contractors Tradesman Regulations Board for Contractors February 25, 2005

The Department of Planning and Budget (DPB) has analyzed the economic impact of this proposed regulation in accordance with Section 2.2-4007.G of the Administrative Process Act and Executive Order Number 21 (02). Section 2.2-4007.G requires that such economic impact analyses include, but need not be limited to, the projected number of businesses or other entities to whom the regulation would apply, the identity of any localities and types of businesses or other entities particularly affected, the projected number of persons and employment positions to be affected, the projected costs to affected businesses or entities to implement or comply with the regulation, and the impact on the use and value of private property. The analysis presented below represents DPB's best estimate of these economic impacts.

Summary of the Proposed Regulation

The Board of Contractors (board) proposes to introduce a three-hour building code-related continuing education requirement for the biennial renewal of licensure and for the reinstatement of licensure. The remaining changes clarify definitions and requirements, remove requirements that are duplicative or no longer applicable, and add references to existing statutes.

Estimated Economic Impact

These regulations apply to the licensure of tradesmen who perform electrical, mechanical, plumbing, or gas-related work in Virginia. The board proposes to introduce a 3-hour (one hour for the gas-related trades) building code-related continuing education requirement for the biennial renewal of licensure and for the reinstatement of licensure. Currently, the board has no continuing education requirements. Continuing education is a common standard required in many states and many types of professions. A survey done by the department shows that of the 39 states that regulate tradesmen, 31 have continuing education requirements for at least one

of the professions regulated by the board. The number of hours required varies from 2 hours to 11 hours per year depending on the state and the profession.

The compliance costs of this requirement generally include tuition for classes, costs of educational materials, travel expenses if travel is necessary, and the wages forgone when fulfilling this requirement. Statewide the total tuition costs would be about \$1.1 million assuming that 50% of the 31,000 tradesmen already take some form of continuing education and that the tuition varies from \$65 to \$75. Moreover the department plans to hire a full time classified employee to process applications, monitor records, and verify compliance with this requirement. The estimated cost of this position is \$42,888 for fiscal year 2006 in salary and benefits and \$3,200 for other operating expenses.

The expected benefits are an improvement in the quality of services provided and, therefore, an improvement in public health and safety. Licensed tradesmen could also benefit from up-to-date knowledge of building codes by avoiding disciplinary action and potential liability. Also, this proposal will be beneficial for continuing education providers, as they will see an increase in their revenues. Because there are no continuing education requirements at this time, the proposed 3-hour of requirement will provide the highest possible returns (as discussed in the context of the classroom education requirement). In addition, there seems to be significant evidence indicating lack of competency with the building codes. According to the department, the board has seen an increase in the number of complaints from citizens and government officials about licensees having difficulty complying with evolving building codes. The department reports that of the 753 disciplinary cases adjudicated since January 2003, approximately 150 cases, or 20%, involved situations where a requirement of the building code was not properly implemented. The problems ranged from administrative issues such as failing to obtain a permit or get an inspection done to practical issues such as failing to abate a violation found in an inspection. More than one half of the violations occurred in a trade-related work. In addition, eight tradesmen were brought before the board for violations of tradesman regulations, which resulted in revocation of three licenses. This compares unfavorably to the period from when the board's purview started in 1995 until January 2003, during which there had been no revocations. Thus, the proposed continuing education requirement appears to have the potential of providing net benefits to the Commonwealth.

The remaining changes clarify existing definitions, remove definitions that are duplicative of statutory language or obsolete, improve consistency of the proposed regulation with other regulations, and incorporate existing statutes by reference. None of these changes appear to be significant. To the extent that they improve the clarity of the regulation and reduce the potential for confusion among the public, the regulated community, and building officials, a positive effect should occur.

Businesses and Entities Affected

The proposed regulations apply to approximately 31,000 tradesmen regulated by the board.

Localities Particularly Affected

The proposed regulations should not affect any locality any more than others.

Projected Impact on Employment

The proposed continuing education requirement is not expected to create a significant disincentive for entry into this profession. There is likely to be an increase in demand for continuing education instructors.

Effects on the Use and Value of Private Property

To the extent that continuing education is offered by private businesses, the proposed change should increase their profits and, hence, their asset values. Also, to the extent that the continuing education requirement increases compliance with building codes, the value of real estate served by more competent tradesmen may increase.